

have, by a grant of the government, the exclusive right of trading with foreigners and are all made liable for the debts of each in case of failure." Mr. Forman did not propose to extend this principle further than the guarantee of the circulating notes, but by accident or design the bill which passed the legislature made the safety fund liable for all the debts of a failed bank. Each bank was required to pay annually to the Treasurer of the State a sum equal to one-half of one per cent, of its capital stock until the payments should amount to three per cent. The first act, approved April 2, 1829, provided for the distribution of the assets of a failed bank in the usual way and that, after all the assets had been turned into money and the final distribution made, a court of chancery should enter an order showing the amount necessary to discharge the remaining debts and should authorize the Comptroller to pay the amount from the bank fund. This law was modified by the Act of May 8, 1837, to enable the State authorities to take such measures as might be necessary for the immediate payment of the notes of any insolvent bank whose liabilities in excess of assets should not exceed two-thirds of the bank fund. It was not until 1842, after the failure of nine of the banks Incorporated under the safety fund system, that an act was passed making the circulating notes only a charge against the safety fund and leaving the other liabilities of the failed bank to be paid from the assets.

The panic of 1837 put the safety fund to its first test and compelled the State Comptroller to make heavy payments in the redemption of circulating notes. Three important banks in Buffalo failed early in May, 1837, with a reported circulation of \$413,961. The Comptroller announced that their bills would be received in payment of canal tolls and other debts to the State and they were maintained substantially at par. The charters of two banks were repealed by the legislature in 1837 and their notes redeemed by the State, but one of these charters was renewed and the payments from the safety fund were reimbursed. The safety fund was practically intact in 1840 and stood at \$870,615.